

Extension of Sunset for the Big Sky on the Big Screen Act

Betsy Baumgart – Speaking Points

Senate Taxation Committee - HB 163 Hearing 3/9/09.

SENATE TAXATION

EXHIBIT NO. 2

DATE 3.9.09

BILL NO. HB163

Good morning, Mr. Chairman, (Essman) and members of the committee. For the record, my name is Betsy Baumgart. I am the Administrator for the Dept of Commerce – Montana Promotion Division's Film Office. I would like to introduce Sten Iversen, the Manager of the MT Film Office who is also here this morning.

The Montana film production incentive program, which we refer to as Big Sky on the Big Screen Act, was enacted by the 2005 Legislature.

This program offers a 14% tax credit to film producers, who hire Montana labor and talent and a 9% tax credit on expenditures for money spent with Montana service providers such as hotels, restaurants, dry cleaners, security services, but also with hundreds of other businesses that supply products such as lumber yards, antique shops, hardware stores and yes even porta-potty suppliers.

The top blue brochure is a detailed explanation of the program. Today, we are not asking for any increases, but merely the opportunity to allow this successful program to continue. The Big Sky on the Big Screen Act faces a sunset date of December 31 2009. HB 163 extends that sunset for another five years to 2015.

The Big Sky on the Big Screen Act has done what it was intended to do! It's allowed Montana to compete for this lucrative business. Since its passage in 2005, this legislation has created jobs, brought new money to the state, generated taxes, and has enhanced Montana's image by placing her on the big and small screens worldwide.

I'd like to refer you to the Economic Impact Fact Sheet. The first full year with this incentive, film production increased in Montana by 34% from \$5.2 million in 2005 to \$7. million in 2006. In 2007, the second year, we saw a healthy 12% increase with an economic impact at \$7.8 million. The total economic impact to Montana's economy since the passage of this program has been \$38 million dollars

This legislation has directly generated the equivalency of 183 new full time jobs for Montanans annual basis. Indirectly, this industry and the new money they bring into our state have put thousands of additional Montanans to work.

Overall there have been 66 productions certified through our office, and 43 of these, 63% have been Montana production companies.

If you refer to the backside of this handout, we have listed the various businesses that are positively affected by film production in Montana. You can see that the film business touches a wide range of businesses.

Next, I'd like to draw your attention to the "2008 Production Report". This handout lists the various productions we had in Montana last year. You can see that in addition to feature films, there are a lot of small productions. We had a total of 98 productions last year. The beauty of film production is it touches all areas of the state, the larger cities as well as the smaller towns. This business is also not dependent of one season, but comes throughout the entire year.

You can see that Montana had six feature productions this past year. The remake of Jack London's "Call of the Wild" was shot in the small communities of Lincoln and Phillipsburg, leaving close to a half a million dollars in a few weeks time.

I also want to point out that there were 24 national and regional commercials shot in all corners of the state. It's not uncommon for the larger commercials to spend \$50,000 a day while filming. There are also smaller productions that are a little closer to home such as the St. Patrick's Hospital commercial shot in Missoula or the Montana Beef Council commercial shot in Billings.

In addition to the commercials shot here, national television shows use Montana as a backdrop as well. The Huntley Way, which is a nationally broadcast hunting show based in Kalispell has shot many episodes in Montana. The latest one was shot on ranches in Southeastern Montana, bringing new dollars to small communities. This show would not have shot in Montana without the Big Sky on the Big Screen act.

Film production takes pictures and leaves money. A film production coming to your town is very similar to setting up a small to medium manufacturing plant. They hire employees, utilize local vendors, build a product, and all without impacting the local infrastructure. (No new schools or streets to build).

Now that the program's been in existence for a few years, we have some data on the tax implications. Referenced the Tax Impact Study of the feature film "A Plumm Summer"

This is a tax analysis done by the Census and Economic Information Center. This is an analysis on a feature film "A Plumm Summer" that was shot in Montana the summer of 2006. Basically it shows that the production company paid more in taxes than they earned in tax credit, demonstrating a positive tax impact for Montana of \$17,200. The Big Sky on the Big Screen Act was designed to generate more in tax revenue than it pays out in tax credit. This is in addition to the Montana jobs created and the millions of new dollars spent in our main street businesses.

The backside of this handout shows the aggregated tax credit issued per year. This data was compiled by the Department of Revenue. I'd like to point out that the state of Montana has paid out less than \$250,000 since this program has been in place. That's less than 1% of the \$25 million dollars of economic impact this business has brought to the state. There is no data for 2008 at this time because they are still filing their 2008 tax returns.

And, finally I'd like to refer you to the US Domestic Production Incentives Comparison Report. When the 2005 Legislature passed the original film incentive bill, Montana was one of 10 states with this type of incentive. Currently, 42 other states have programs similar to or more aggressive than Montana. If this legislation is allowed to sunset, Montana would fall to the 43rd place in the nation. Montana would no longer be competitive in attracting the film industry. The reality of the situation is that without this program, Montana will not be able to attract any future feature film production. It takes an incentive program to even be considered for a feature film. The grandeur and recognition of Montana on the big screen nationally and internationally carries its own immeasurable benefits!

In closing, I'd like to remind you that Montana does not issue a dime of tax credit until these companies get certified by the Department of Commerce, set up a local office, hire Montana labor, spend money with Montana businesses, report their expenditures backed up with receipts, have their reports audited by the Department of Revenue, pay an administrative fee, and file a Montana tax return. In order for Montana to continue to attract this clean well paying industry we need this incentive package. I respectfully request that you support HB 163, the extension of the sunset on this successful program. I'd like to thank you for your time and I would be happy to answer any questions you may have.